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Proposed plan for
collection of the foreign...

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PROPOSED PLAN

for

Collection of the Foreign Debt of the United States

Settlement of German Reparations

and

Establishment of an International Gold Currency

BY

FRANK D. PAVEY

MEMBER OF THE BAR OF NEW YORK

RESPECTFULLY SUBMITTED

TO

THE PRESIDENT AND CONGRESS OF THE UNITED STATES

FOREWORD

It is stated in the public press that President Harding has requested the submission of plans for the collection of the foreign debt due the United States. In all discussions of this subject economists and international bankers insist that the collection of the foreign debt due to the United States is inextricably and inevitably interwoven with the settlement of German reparations and the re-adjustment of foreign exchange on a gold basis. It is simpler to accept the inter-relation of these three things and propose a plan to cover them all rather than controvert the arguments in support of their inter-dependence.

The plan proposed may present difficulties but it is concrete, practical and constructive and the history of the reparations controversy shows that it will be acceptable to the Allies and to Germany if the various propositions which they have made in regard to the subject from time to time have been made in good faith.

If the United States will take the initiative and make the first moves the nations of Europe will necessarily follow the lead.

FRANK D. PAVEY.

32 Nassau Street,
New York, N. Y.
December 1st, 1922.

PROPOSED PLAN

for
**Collection of the Foreign Debt of the United States
Settlement of German Reparations**
and
Establishment of an International Gold Currency

1, Create a Federal Reserve Foreign Bank of the United States on the general lines proposed by Senator Robert E. Owen of Oklahoma and establish a branch in Berlin with authority to issue a gold secured dollar currency in Germany which will be available for the transaction in gold of either internal or external trade and commerce. This will provide Germany with a gold secured currency and will dispel the popular fiction which has been so industriously propagated that Germany is unable to pay reparations for damages to the Allies by reason of the worthless character of its internal paper currency.

2. Adopt the German proposal made to President Harding in April, 1921, in which it offered to pay the sum of 50 billion gold marks (\$12,500,000,000) to the Allies as reparations for damages and in addition thereto to pay the debts of the Allies to the United States. The debts of the Allies to the United States with interest from January 1, 1918 to December 31, 1922, amounts to about 50 billions gold marks (\$12,500,000,000). This makes a total of 100 billion gold marks (\$25,000,000,000) which the German government has offered to pay in settlement of its international obligations due to the World War.

3. Establish in Berlin an Allied Finance Commission with sufficient control of German finances to prevent further fraudulent issues of paper currency or other governmental obligations.

4. Require the establishment by Germany of a system of capital taxation sufficient to provide guarantees for the payment of the interest and amortization of the principal of the foreign debt upon a basis which will place the burden of taxation upon capital—tangible property—and not upon labor and commerce as at present.

5. Require the German government to issue external bonds to the amount of 100,000,000,000 gold marks (\$25,000,000,000) and deliver these bonds to the Allies in final settlement of the obligations of Germany for reparations for damages to the Allies and the obligations of the Allies to the United States for loans. The bonds delivered to the United States will be endorsed and guaranteed by the Allies in proportion to their respective debts to the United States.

6. Require the payment of interest and amortization of this 100 billions of gold mark bonds to be secured by German customs, railroads, and other governmental properties and in addition thereto by the bonds, stocks and other obligations of German industries, properties and public utilities which will be acquired by the German government for that purpose by the exercise of the power of capital taxation.

7. Modify the law for the refunding of the foreign debt so as to provide for the acceptance of German bonds when guaranteed by the Allied governments in exchange for their present obligations. These bonds should be retained in the Treasury of the United States a reasonable time to enable the Allied governments to distribute and sell the bonds allotted to them and thereby obtain the actual funds for the payment of reparations for damages.

If the German bonds allotted to the Allies are properly secured by the German government and guaranteed by the respective Allied governments they can be sold in the financial markets of the world. This opinion is justified by the amount and diverse character of foreign securities which have been placed in the United States within the past two years.

8. The balance of the total of German reparations (32,000,000,000 gold marks) can be adjusted and settled between the interested parties in view of the willingness of England to reduce or cancel the debts of the other Allies in consideration of the commercial benefits to be derived by England from the reduction of the total of German reparations.

Any differences on balance between the Inter-Allied debts and the Allied percentages of reparations can be adjusted between the Allied governments.

The justification of the proposed plan is found in the history of the German reparations controversy.

ARGUMENT

The German Reparations Farce

The final collapse of the value of the German paper mark nearly to the vanishing point may clear away the mists in which the payment of German reparations for damages to the Allies has been enveloped. The problem is persistently treated as an economical and political question. It is no longer merely a question of economics or of politics. It is primarily the direct issue whether Germany is the only country in the world which in the conduct of its international affairs can violate all rules of common honesty and good faith and at the same time maintain its position in international society.

The government of Germany with the aid of English economists and international bankers has successfully obscured the real question until there is a world wide belief that Germany is the victim of an unreasonable demand for the payment of an impossible amount of reparations. Erroneous statements of fact and false economic principles have crept into the discussion and are now generally accepted as correct.

One such error is the common assertion that the amount of German reparations ought to be definitely fixed at an amount which Germany is able to pay. As a matter of fact it has been definitely fixed at an amount which the German government offered and agreed to pay and represented that Germany was able to pay.

Another such error is that the amount of reparations to be paid by Germany has been definitely fixed at 132 billion gold marks. As a matter of fact the amount which Germany has definitely agreed to pay and which the Allies have definitely agreed to accept is 50 billion gold marks.

Germany's ability to pay the 50 billion gold marks was determined upon the basis of her own offer to pay that amount. The acceptance of that amount by the Allies as the limit of Germany's fixed obligation was coupled with the contingent condition that Germany should pay an additional amount in

case future developments demonstrated her ability to pay it. This modified agreement was approved and accepted by Germany. The amount and terms and conditions of payment were no sooner fixed than the German government began to seek changes. Successive subsequent conferences resulted in successive concessions to Germany until the limit of international patience was reached.

On March 21, 1922, the Allied Commission on Reparations in session at Paris sent to the German government at Berlin two communications in which they modified the terms of reparations for damages to be paid by Germany to the Allies during the year 1922 and stated the conditions upon which the modified terms were granted. The announcement of these terms and conditions "fell like a bombshell in the official quarters in Wilhelmstrasse and in the Reichstag and created anger and dismay".

The modified terms of payment fixed by the Reparations Commission were less onerous than the original terms which had been accepted by the Reichstag and incorporated in solemn agreements by the German government. Therefore the anger and dismay in the Reichstag and the surprise in official quarters really arose from the fact that neither the Reichstag nor the German government ever expected to fulfil their agreements. They were angered and dismayed at the failure of a careful campaign to secure the entire release of Germany from the payment of reparations for damages to the Allies.

In this campaign the major premise of the argument has been the assertion and assumption that the economic restoration of Germany is essential to the financial and industrial reconstruction of Europe and the rest of the world. The minor premise is the assertion and assumption that the economic restoration of Germany is impossible if Germany is forced to pay reparations for damages to the Allies. From these premises the conclusion is drawn that the revision of the Treaty of Versailles is necessary on lines which will relieve Germany of her obligations to pay reparations to the Allies for the wanton damages inflicted upon them by the armies and navies of Germany during the World War. As an alternative there is presented the prediction and even the threat of the bankruptcy of Germany and the woeful consequences of that direful event to Europe and to the rest of the world.

The Impending Bankruptcy of Germany

The current literature in regard to the financial and economic restoration of Germany is filled with polite phrases which obscure the truth.

The German government and the German people engaged in a grand speculative enterprise for the subjugation of Europe and the rest of the world. In its mad career to establish itself as a super-government Germany inflicted enormous losses upon the people of adjacent countries. Now that the enterprise has failed, Germany seeks to escape from the rightful consequences of her wrongful acts by the plea of inability to pay reparations for damages. The prediction is made that if Germany is compelled to fulfill her obligations under the Treaty of Versailles she will go into bankruptcy. This is always mentioned as a frightful fate that ought not to be forced upon any people or any government.

As a matter of fact bankruptcy and the repudiation of debts—partial or total—are recognized by the entire civilized world as the necessary and proper procedure for the settlement of disastrous enterprises. In the case of private corporations the process is usually designated by the terms "reorganization" or "recapitalization". In the case of governmental debts the term "readjustment" is frequently employed and one recent writer has made use of the still more vague phrase "compression of public debts". The "re-valuation" of currencies and the "stabilization of the mark" are similar phrases. No matter by what euphonious names they are called, all these processes have one element in common. They are all partial or total repudiation of debts.

This principle of bankruptcy—of the partial or total repudiation of individual and corporate debts—is recognized by American financiers as beneficial in its economic effects and is enforced by American courts as just in its legal aspects. The courts appoint the representative of the creditors to be receivers of the property and revenues of the enterprise which has failed. The assets which are left from the wreck of false hopes and bad management are applied to the payment of those creditors who in law or in equity are entitled to a preference.

In many cases the management is bankrupt but the business is not. The failure is due to the incompetent or dishonest

conduct of the business by the directors of the enterprise. The business—the “plant”—with its capacity for profitable production is unimpaired. The shareholders and the incompetent and dishonest managers whose direction has ended in disaster lose their interests in the enterprise. The business with its productive capacity passes into the control of the creditors.

This is precisely the situation in Germany. A clear distinction is to be drawn between the German government and the German people—the German industrial and commercial plant—as an economic unit. There need be no undue anxiety as to the financial and economic consequences to the rest of the world if the government of Germany goes into bankruptcy. The government of Germany is bankrupt now.

In all periods of financial distress the columns of the daily journals are filled with the discussion of plans for the “reorganization” or “re-capitalization” of corporations which are about to pass into the control of their creditors. In many cases rival plans of reorganization are vigorously presented and acrimoniously discussed and appeals are made to creditors to support one or the other of the different plans of reorganization. The real meaning of such contests between rival committees with different plans of reorganization is that they are seeking to promote the interests of certain classes of creditors at the expense of other classes of creditors. The key to every such controversy is to ascertain what classes of creditors are to be the victims and what classes of creditors are to be the beneficiaries of the proposed reorganization.

The discussion of the plans proposed for the “economic restoration of Germany” present an absolutely analogous situation. The domestic creditors of Germany and their affiliated interests in Great Britain and the United States seek by an appeal to public sentiment on behalf of the restoration of the “economic equilibrium of Europe” to make themselves the beneficiaries and the foreign creditors the victims of the industrial and financial reorganization of Germany.

The facts lead inevitably to the conclusion that Germany—the people—the plant—the business—are able to pay the amount fixed as reparations for damages to the Allies and with equal force lead to the further conclusion that the German government has pursued the course of an improvident and dishonest debtor wilfully and deliberately seeking to evade the payment of just foreign debts in order to pay the domestic creditors.

Ability of Germany to Pay

The history of the negotiations for the determination of the amount of reparations for damages to be paid by Germany discloses that the Allies have shown the utmost consideration for Germany not only from the ethical point of view of justice but also from the practical point of view of the ability of Germany to pay.

The final and definite amount of the damages to be paid by Germany was not fixed in the Treaty of Versailles. At the Peace Conference at Paris it was decided that Germany would not be asked to pay the costs of the war to the Allies but that the principal elements of the bill would be actual material damages, plus separation allowances and pensions which were to be included as damages to the civilian population. The American experts estimated the amount of actual material damages at \$15,000,000,000 and the pensions and separation allowances at another \$15,000,000,000. The American members of the Commission on Capacity of Germany to Pay reported in favor of the ability of Germany to pay a capital sum of \$30,000,000,000—\$5,000,000,000 to be paid before May 1, 1921, and \$25,000,000,000 thereafter—if proper steps were taken to conserve Germany's assets. This makes a total of 120,000,000,000 gold marks which in the opinion of the American experts at the Peace Conference at Paris Germany was able to pay and ought to be made to pay.

The American delegation wanted to have this or some other fixed sum inserted in the text of the Treaty of Versailles, but the French and British delegations were not yet ready to accept any small amount and the terms of the Treaty directed the payment of certain minimum amounts and then provided for the establishment of the Reparations Commission with authority to fix the final amount on or before May 1, 1921, subject to subsequent reconsideration and modification. Conferences on the subject were held at Hythe on May 16, 1920; at Bologne on June 21-22, 1920; at Brussels on July 2, 1920; and at Spa on July 17, 1920. At a subsequent conference at Paris on January 27, 1921, the allied premiers approved reparations figures amounting to 225,000,000,000 gold marks payable in annual installments, plus an annual tax of 12% on her total exports.

These proposals were submitted to the German government which on March 1, 1921, in London offered as counter proposals to pay 50,000,000,000 gold marks from which were to be deducted 20,000,000,000 gold marks which the German government esti-

mated to be the value of property already surrendered. Towards the end of April 1921 these counter proposals were submitted in a modified form to President Harding for transmission to the Allies. In addition to the 50,000,000,000 gold marks proposed to be paid to the Allies the German government offered to assume and pay the Allied debts to the United States which then amounted to approximately 46,000,000,000 gold marks (\$11,500,000,000). This sum added to 50,000,000,000 gold marks to be paid to the Allies makes a total of 96,000,000,000 gold marks (\$24,000,000,000) which the German government in April, 1921, offered to pay and impliedly represented that it was able to pay. This amount was almost the same as the total German war loans floated during the war between September 1914 and September 1918—viz 98,563,000,000 gold marks (\$24,640,000,000).

On May 5, 1921, final proposals based upon the German counter proposals as a minimum were submitted by Mr. Lloyd George and accepted on May 10, 1921, by the German Reichstag. The final proposals provided for the issue of three series of bonds. The first bonds (Series A) amounted to 12,000,000,000 gold marks (\$3,000,000,000) and were to be delivered by July 1, 1921. The second bonds (Series B) amounted to 38,000,000,000 gold marks (\$9,500,000,000) and were to be delivered by November 1, 1921. These two series of bonds amount to 50,000,000,000 gold marks (\$12,500,000,000) which is exactly the amount offered by Germany to the Allies in the proposition submitted to President Harding in April 1921. The third bonds (Series C) estimated at 82,000,000,000 gold marks (\$20,500,000,000) were to be delivered by November 1, 1921, with the important reservation that the Reparations Commission was to issue these bonds to the Allies only as and when it was satisfied that the payments to be made under the agreement were adequate to provide for the payment of interest and amortization of the principal.

The formal and definite acceptance of these final terms was no more conclusive on the minds and consciences of the German statesmen than the acceptance of any previous international obligations. The backs of the negotiators were no more than turned to each other when the German government renewed its usual demands for modifications. The new demands were directed to the end of securing reductions in the amounts to be paid in cash. After months of discussion the French Minister of the Liberated Regions (Loucheur) and the German Minister of Reconstruction (Rathenau) reached an agreement at Wiesbaden on October 6, 1921, for liberal payments in kind.

By January 1922 Germany was trying to beg off from all cash payments in 1922 with the usual fulsome promises of increased taxes and internal financial reforms. The Reparations Commission reduced the amount payable in cash for 1922 and agreed that the balance could be paid in materials and supplies. These concessions were accompanied by reasonable requirements in regard to the internal administration of the German government which were not only just but also necessary and proper in view of the reckless and dishonest conduct of its financial affairs by the German government.

Dishonesty of the German Government

The facts sustain the inevitable conclusion that the government of Germany has wilfully and intentionally pursued a course since the Armistice which would result in official bankruptcy in order to escape from the payment of reparations for damages to the Allies.

One of the logical presumptions of jurisprudence is that intelligent men intend the reasonable consequences of their own acts. Judged by this standard the men in control of the government of Germany cannot escape the charge of dishonesty in their administration of the financial affairs of Germany. By "dishonesty" is not meant any petty personal profits from the transactions of the Government or speculations from its funds. The term is used to signify the wilful and deliberate intention of a debtor to defeat the claims of foreign creditors in order to benefit domestic creditors.

After the commencement of the World War the government of Germany did not at once adopt any general system of war taxes to provide funds for the conduct of the war. It expected to pay the costs of the war from the indemnities which it intended to collect from Belgium, France and Russia at the conclusion of a short decisive and victorious campaign. When this promise to the German people failed the Government had not the courage to adopt at once a comprehensive and complete system of taxation for war purposes and resorted to the issue of bonds and banknotes to pay the expenses of its disastrous enterprise.

Subsequent to the Armistice the German government pursued the course of an improvident and dishonest debtor by the issue of enormous amounts of additional obligations. The following figures in regard to the issues of paper marks to circulate as money tell an eloquent story of disastrous financial management.

German Paper Currency Issues Since the Armistice

1918.....November 6	Marks	16,959,260,000
1918.....December 31	"	22,206,000,000
1919.....December 31	"	35,698,359,000
1920.....December 31	"	68,805,008,000
1921.....December 31	"	113,458,889,000
1922.....October 31	"	468,875,571,000
1922.....November 15	"	581,523,808,000

The reckless issue of paper money has constituted a fraud on the common people of Germany. The employers could pay their laborers in paper marks which depreciated in value faster than the laborers could secure corresponding increases in wages. The system worked to the advantage of the manufacturers and exporters who sold products and established international credits in foreign countries on a gold basis. The polite financiers and economists designate this process by the euphemistic phrase "flight of capital." In the prosaic affairs of an insolvent corporation the legal phrase for the same process would be the fraudulent withdrawal and concealment of assets by the shareholders.

The leaders of the German government are men of education and experience in business and public affairs. They cannot have been ignorant of what they were doing and what they are still doing. They have followed the path of political expediency at the sacrifice of commercial integrity and will continue to follow it until they are brought to book by force.

In the German budget for 1920 is found an item of 131,000,000,000 marks for compensation to German citizens arising out of the Peace Treaty. No German statesman has proposed that these losses of German citizens should not be paid. No German banker has proposed that these claims should be cancelled in order to promote the economic restoration of Germany. No English economist has written a book to demonstrate that if German industry is stimulated to the degree of activity necessary to pay these reparations the recovery of the "economic equilibrium of Europe" will be retarded.

Cows killed and stolen horses, burned stables and cottages destroyed are quite as important items in the economic life of Belgian, French, Italian, Serbian and Roumanian peasants as are surrendered ships in the economic life of the German shareholders of a great steamship company. The government of Germany proposes to pay 131,000,000,000 marks to German capitalists in reparation of damages arising out of the war but proclaims its

inability to pay reparations for damages to foreign peasants whose "economic equilibrium" was destroyed by German armies.

The course of the German government is in striking contrast to that of the government of France. Germany which suffered no material injury from the war has wilfully and deliberately destroyed the value of her currency since the Armistice. France whose provinces and cities were laid waste and mines and industries destroyed has so demonstrated her financial good faith and physical powers of recuperation that her currency has commenced to recover its normal value and her credit has enabled her cities and industries to make large loans in the market of the United States.

Bankruptcy the Best Solution

No greater benefit could come to the German people than to put the German government into bankruptcy—repudiate the war bonds and paper money which it has issued—and to start the German plant—the German people with their productive capacity—in business again with the definite purpose in view of paying their just debts to the people whom they have wronged.

Many persons who now consider themselves rich by reason of their possession of large promises of the German government to pay would find themselves poor. Many individuals would go into bankruptcy but probably not more than will meet that fate if the German government seriously attempts to restore the paper mark to its par value in gold. Many parasites on the public funds would be compelled to go to work and earn an honest living. These results would be disagreeable for them but wholesome in their general economic effects. The productive capacity of the German industrial and commercial plant as an economic unit would be unimpaired.

Under a just system of taxation and an honest system of finance the German people who have been unharmed in their property and industry could pay the damages inflicted by them on their neighbors in the pursuit of an unjust and unlawful war. That result is one which the Allies have the right to ask and the right to enforce. The United States aided the Allies to win the war and ought to help them hold the results of victory. Any other attitude puts the people and the government of the United States in the position of a dupe to the duplicity and dishonesty of Germany.

The practical method to bring this result about is to accept the declaration of the German government that it cannot pay its obligations and to put a Financial Commission of the Allies in Berlin as receiver in charge of the receipt and administration of the public revenues of Germany and in control of the banks authorized to issue bank notes to circulate as money. The Financial Commission should be supported by a sufficient military force to compel respect and obedience to its orders. We have a sufficient German precedent for this in the German military occupation of France in 1870-1871 pending the final payment by France of the German war indemnity. France did not whine and plead poverty and try to create a maudlin sympathy for herself. She went to work and paid the German war indemnity with a speed that astonished the world.

Repudiation of the German War Debts

There need be no false sentiment in respect to the repudiation of the German war debts. The rule of law is well recognized in the jurisprudence of the United States that governmental obligations issued in aid of an unlawful enterprise will not be paid. The rule is applied even at the expense of innocent inventors who have purchased the obligations in good faith. No distinction between nationals and foreigners is recognized in the enforcement of the rule. They are all treated on the same plan of equality before the law which refuses to recognize the validity of a public obligation issued in aid of an unlawful purpose no matter in whose hands the obligation may be found.

The rule is generally applied to the bonds and notes of municipalities and states. It was applied on a large scale at the close of the Civil War in respect to the bonds and notes of the Confederate government and the bonds and notes of the Southern States issued in aid of the Confederate government. None were permitted to be paid. This result was the logical sequence of the origin and end of the struggle.

In 1860 the United States was in a state of perfect "economic equilibrium". This economic equilibrium was founded in part on the institution of human slavery. The South believed that human slavery was right and the North believed it was wrong. The South believed that it had the right to

withdraw from the Union of States in order to protect this economic institution. The North denied this right and the "irrepressible conflict" between human freedom and human slavery led to four years of civil war.

The technical excuse for the commencement of the Civil War was the disputed right of the Southern States to withdraw from the Union and establish an independent government. The fundamental cause of the Civil War was the peril in which the institution of human slavery was placed as a result of the expansion and extension in the North of ideas of personal liberty and human equality before the law.

At the end of the Civil War the North abolished the institution of human slavery without compensation to the owners for the loss of their slaves or other property; denied the right of the holders of confederate bonds or notes to receive payment of the Confederate obligations and forced the people and property of the South to return to the Union and bear their proportionate share of Federal taxation for the payment of the war debt of the North. Northern troops remained in the capitals of the Southern States until these economic readjustments were established in the jurisprudence of the country.

This citation of historical facts is not intended as an expression of opinion on the right of the Southern States to withdraw from the Union or to maintain the institution of human slavery. The point to the citation of these facts in this argument is that no other settlement of the financial and economic questions involved was consistent with the acts and declarations of the Northern States in the prosecution of the war on the Southern States. Every economic argument in favor of the release of Germany from the payment of reparations for damages to the Allies could have been made in favor of the restoration of human slavery as an economic institution but there was no compromise with permanent principles for the sake of temporary economic equilibrium.

This rule of national jurisprudence is a salutary one and ought to be recognized and enforced in international affairs. The only question ought to be one of fact,—whether the German bonds and notes were issued in aid of an unjust and unlawful war. That question so far as the World War is concerned is no longer open to argument. It has been settled by the facts and by the acts and admissions of the parties.

The World War Was Unjust and Unlawful

The economic equilibrium of Europe prior to the World War was based upon institutions which were no better than human slavery. The common people were taxed to maintain privileged classes—imperial, royal, aristocratic and military. The technical excuse for the World War was the assassination of an arch-duke and the right of Austria-Hungary to interfere in the internal administration of Serbia. The fundamental cause of the World War was the peril in which the privileged institutions of economic inequality and political and social superiority were placed by reason of the rising tide of democratic ideas in Europe. The war was begun and waged in order to protect and perpetuate these privileged institutions and the conduct of the war was consistent with its origin.

Germany commenced the war by the ruthless and inexcusable invasion of Belgium and violated the rights in time of war of friend and foe alike. The resolution of Congress declared that a state of war had been forced upon the United States by repeated and unwarranted acts of war on the part of Germany. (Resolution of Congress—April 6, 1917).

In the Treaty of Versailles Germany admitted her guilt:

"The Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her Allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her Allies." (Treaty of Versailles—Article 231.)

Under these circumstances, the Treaty of Versailles ought to have contained a prohibition of the payment of any part of the debt created by Germany for the prosecution of the war. This provision in the treaty of peace would have been just in principle and wise in its economic effects. Practically the entire German war debt was held by the German people and the German profiteers in neutral countries. The losses would have fallen on the shareholders in the enterprise who expected to reap the profits of the grand adventure. The industry and commerce of Germany would have been relieved from a great burden of taxation the proceeds of which ought to be devoted to the payment of reparations for damages to the Allies.

This ought still to be done. The definite repudiation of this war debt will facilitate the "balancing of the budget" of Germany and tend to restore the "economic equilibrium of Europe" which so many financiers and economists consider of more importance than the establishment of political liberty and civil equality and freedom of thought and opinion uncontrolled by a military caste or hereditary aristocracy. The German statesmen and financiers never propose this remedy for the economic ailments of Germany. They prefer to begin the "economic restoration of Germany" by the repudiation of the debt due to the Allies for reparation of the wanton damages caused by their armies and navies in the prosecution of an unjust and unlawful war.

The proposed revision of the Treaty of Versailles so as to release Germany from the payment of reparations for damages to the Allies outrages every sentiment of justice. Many of its advocates admit this injustice and fall back upon the alleged inability of Germany to pay and the adverse effect on the "economic equilibrium of Europe" of the international payment of the large amounts fixed as reparations for damages.

New Theory of International Debts

In the controversy over the payment by Germany of reparations for damages to the Allies the economic theory has been evolved that if an international debt is sufficiently large its payment by the debtor injures the creditor. The argument runs as follows:

All international payments must be made in gold or in international credits payable in gold which are acceptable to the foreign creditors. Germany does not produce gold and has not sufficient gold with which to pay the reparations for damages; has no large foreign investments which can be converted into gold; and, therefore, can procure international credits payable in gold only to the amount of the excess of her exports of merchandise over her imports of merchandise. Hence, to procure international credits payable in gold, Germany must stimulate her exports of merchandise and sell her manufactured products in the markets of the world in fierce competition with the products of the Allies. These premises and arguments lead to the apparent conclusion that the Allies will be injured more in their industries

and commerce by the fierce German competition in the markets of the world than they will be benefited by the amounts paid in reparation of damages.

There are two sufficient answers to this theory. The first answer is that the release of Germany from the payment of reparations for damages to the Allies will not eliminate the fierce competition of her products from the markets of the world. Prior to the war, German products had already entered into fierce competition in the markets of the world with the products of the Allies. German commerce was conducted in the same fierce and brutal manner in which the German war was waged. The Allies must expect to meet the same German qualities in future in their international trade and commerce.

The second answer is that the exportation of merchandise is not the only means by which Germany can secure international credits payable in gold and available for the payment of reparations for damages to the Allies. The same result can be accomplished by the exportation of German capital in the form of shares and bonds of German industries properties and public utilities. The organization of modern corporations and trust companies provides the legal machinery necessary for this exportation of capital either by the direct sale of the German shares and bonds to the foreign investors or by a pledge of the German shares and bonds as security for obligations of the German government. The principles and legal forms of both transactions are well known in financial circles in Europe and America.

Dutch shares of the Royal Dutch Company payable in guilders; English shares of the "Shell" Transport and Trading Company, Ltd., payable in pounds sterling; English shares of Rand Mines, Ltd., payable in pounds sterling and English shares of the De Beers Consolidated Mines, Ltd., payable in pounds sterling are instances of the pledge of foreign shares to secure American certificates payable in dollars for sale in the American market.

This form of "investment trust" is equally well known in Germany where it is used at the present time to assist in the "flight of capital" from Germany into foreign countries where it will be comparatively free from the dangers of capital taxation or compulsory loans to aid in the payment of reparations for damages to the Allies. The "Bank für Industriewerte Actien-Gesellschaft" (called "B. I. A.") has been organized by four great German banks to acquire the control by ownership of stock of German in-

dustrial corporations engaged in practically every industry in Germany such as iron and steel, coal and coke, chemicals, railway equipment and construction, shipbuilding, turbines, commercial airplanes, paper, glass, metals and linens. The shares of stock are held by the four banks as trustees as security for bonds of the "B. I. A." which are offered for sale in large amounts in Switzerland, Holland, Spain, Scandinavia and the United States.

The proposal to compel Germany to expropriate the stock and bonds of her great industries properties and public utilities and sell or pledge them in foreign countries in order to provide international credits with which to pay reparations for damages to the Allies is no greater hardship upon Germany than that imposed upon the Allies to enable them to defend themselves against her aggressions.

All Allied governments were forced by the necessities of the war to resort to drastic measures of expropriation or control of property in one form or another. In England the government was forced to "mobilize" the American securities held in Great Britain in order to secure international credits in the United States. At first the holders of specified American securities were requested to sell or lend them to the Treasury on stated terms. As the request did not produce American securities in sufficient volume the Treasury resorted to coercion and levied a special tax upon the income derived from all issues which were eligible for the purpose and which were not surrendered. Later the Treasury was empowered to commandeer eligible securities and to place restrictions upon the holders in reference to their sale and transfer. The government of France followed a similar procedure.

In both countries the system was extended to include eligible securities payable in any national standards of value which were available for the purpose of establishing international credits with which to pay their foreign war costs. The governments first acquired the securities by the exercise of the sovereign power of expropriation or capital taxation and then pledged the securities thus acquired to secure the repayment of the loans. They met the conditions of their impaired credit by compliance with well-known rules of credit. What the British and French governments did in time of war the German government can do in time of peace if it will comply with the same rules of credit.

These illustrations indicate the form in which funds can be raised by the German government upon the pledge of securities of its industries, properties and public utilities—if it wishes to do so. The justice of a capital tax on German industries, properties

and public utilities in order to procure for the German government the funds with which to pay the reparations for damages to the Allies is open to no serious discussion. The only question is whether under all the circumstances of the international situation it will be enforced on Germany.

Great Britain, the United States and Germany

The opinion is frequently stated and widely held that if Germany had known that England would enter the war on the side of Belgium and France the German armies would not have crossed their frontiers in 1914. The opinion is frequently stated and widely held that if the United States had shown at an earlier date its firm intention not to submit to German outrages the war would have been terminated with much less loss of life and destruction of property. These opinions have their exact analogies in the matter of the payment of the reparations for damages to the Allies.

Germany is justified in the belief that there will not be continued unity of action among the Allies and that France and Belgium cannot count upon the continued support of Great Britain or the aid of the United States in the enforcement of the provisions of the Treaty of Versailles. It is this belief which leads the German government to pursue a course designed to enable her to escape from payment of reparations for damages rather than a course which would result in their payment.

The uncertainty as to the attitude of the United States can be explained upon political grounds—the unwillingness of the United States to accept the political provisions of the Treaty of Versailles or become involved in any manner in the political problems and controversies of Europe. The uncertainty as to the permanent attitude of Great Britain is due to entirely different causes.

On the eve of the Economic Conference at Genoa Lloyd George made an address before the House of Commons in the course of which he made this memorable statement:

"The trouble in Europe has been attributed largely to the reparations exacted by the treaties of 1919. Those treaties did not create the reparations trouble. It is due to the fact not that you are exacting reparations, but that there is something to repair.

"If you alter the Treaty of Versailles you do not wipe out reparations; you simply transfer the burden of them from Germany to France, England and Belgium, but in the main to France. You would transfer the burden from the sixty millions of people

who were responsible for the devastation to the forty millions who are the victims of the devastation. So it is no use criticising the reparations."

If the permanent policy of Great Britain on this subject were to be controlled by these sentiments Germany would no longer seek means to evade the payment of her just debts to the Allies for reparations of damages. But Germany knows that the governmental policy of Great Britain on the subject of the payment of reparations for damages by Germany will be influenced and perhaps controlled by economical considerations—by the present interests or what appears to be the present interests of English industry and commerce. The views of English economists in reference to the adverse effects on English foreign commerce of the compulsory payment of reparations for damages by Germany to the Allies have been widely accepted by English bankers, manufacturers and laborers.

England has no devastated areas—no ruined mines and farms and cities destroyed. Aside from the loss of men her sacrifices in the war were primarily and principally financial in character. However costly the war may have been Great Britain was the greatest gainer from the international point of view. The German navy was destroyed and the German fleet no longer exists.

But since the close of the war English industries have been hard hit by the collapse of international commerce. The consequent losses of capital have been followed by problems of unemployment. English capitalists and laborers are in favor of any measure that promises the restoration of foreign trade. It is easy for them to accept the doctrine that their present difficulties are entirely due to the economic provisions of the treaties made at Paris and that all their problems will be happily solved by the release of Germany from the payment of reparations for damages to the Allies.

The whole theory is unsound. If there had been no provisions in any treaty for the payment of reparations for damages by anyone to anyone the world would not have escaped from the violent economic readjustment consequent upon the world war. Every other general war of long duration has been followed by a long period of economic disturbance. But scientific and historical demonstrations of the inevitable economic consequences of war have little interest for men at present out of employment and do not afford much consolation to capitalists and statesmen who are charged with the duty of formulating measures which will restore them to employment. That is the present "reparations problem"

in England and it will necessarily influence the attitude of England in all her international negotiations on the subject.

The practical question, therefore, is whether the temporary financial interests of English manufacturers, merchants and laborers in the restoration of their German trade shall defeat the just claims of Belgian, French, Italian, Serbian and Roumanian peasants for payment by Germany of reparations for the damages inflicted upon them during the war. Right results seldom follow wrong settlements and unless this question is settled in a manner that is just, no permanent economic peace can be expected in Europe.

The Germans must have a profound contempt for the Allied and Associated nations which had the courage and physical resources to carry the war to the verge of victory and did not carry it to a complete and conclusive victory. The conduct of the German government subsequent to the ratification of the Treaty of Versailles and its present attitude are merely manifestations of this German contempt of Allied weakness. It counts upon the lack of identical interest and absolute unity among the Allies to escape from its obligations under the Treaty of Versailles.

The French army is the only military force in Europe capable of enforcing on Germany any compliance with her international obligations. This accounts for the great prominence given in all discussions in favor of the release of Germany from the payment of reparations for damages to the Allies to the necessity for the reduction of the French army.

Four years ago we honored the French army with the proud title of the advance guard of European civilization and liberty. It is still the advance guard of European security. Until all questions in regard to the fulfillment by Germany of her obligations under the Treaty of Versailles have been settled in principle and put in the path of administrative execution, Great Britain and the United States could commit no greater folly than to encourage the disarmament of France.

The aristocratic and military government of Germany had the capacity and courage to mobilize all classes of German laborers as soldiers and munitions workers to carry on the war. The capitalistic government of Germany has had the capacity and courage to further impose the burdens of the war on the German laborers by the unlimited issue of paper marks in which their wages have been paid. It has the capacity and must be made to find the courage to mobilize the capital of the country for the payment of reparations for damages to the Allies by the exportation of capital either

by the direct sale of securities in German industries, properties and public utilities in foreign markets, or by the negotiation of foreign loans secured by the pledge of the stock and bonds of German properties, industries and public utilities. If the present government of Germany has not the force and courage to confront the aristocratic landholders and lords of German industry with this program it ought to be overthrown and a better government established in its place.

The question rests with England and France. If in unison they decide that payment of reparations for damages by Germany will be enforced by the British navy and the French army, the German government will find the capital with which to make the payments without any violent disturbance of international trade and commerce.

The financial pathway will not be smooth and the financial terms will not be easy. Germany will have to pay the price of the reckless and dishonest management of her financial affairs and her well earned reputation for bad faith in international affairs. But if Germany will take the necessary steps to acquire the proper capital securities and then comply with fundamental rules of credit in the issue of her bonds it is reasonable to believe that she can secure in the financial markets of the world the necessary funds to pay her bill for reparations for damages to the Allies. In view of the vast development of the capacity of the market of the United States to absorb foreign as well as domestic securities since 1915, no proposition of this character need be deemed impossible.

But the sale of German bonds to investors is the final act in the performance. The first step is to provide Germany and other parts of Europe with a gold secured currency. This cannot be done without the co-operation of the United States. Plans formulated by three Americans for that purpose have received European as well as American recognition.

(a) The plan proposed by Mr. Frank A. Vanderlip, recently president of the National City Bank.

(b) The plan proposed by Senator Gilbert M. Hitchcock of Nebraska.

(c) The plan proposed by Senator Robert H. Owen of Oklahoma.

The Vanderlip Project

Mr. Frank A. Vanderlip submitted to the Porta Rosa Conference (a conference of the so-called succession states of the

old Hapsburg Empire which met at Porta Rosa, Italy) a plan for the organization of a banking corporation with a capital of \$1,000,000,000 in gold to be known as the "Gold Reserve Bank of the United States of Europe." This bank was to be created as a "super-corporation" through the League of Nations or some other international organization on the theory that it would be better if it were not organized under the laws of any particular country. For convenience this bank will be designated as the Central Bank.

Subscriptions to the shares of stock of this international bank were to be open to anyone able to subscribe and pay in gold. As America at the present time holds the predominating stock of free gold, it was assumed that the bulk of the initial subscriptions would come from the United States. It was not contemplated, however, that the stock should be permanently lodged in the United States and provisions were made under the plan by which all of the stock might in future be purchased by Europeans. With that in view the stock was to be issued in two classes. The stock taken by Americans would be designated as stock "A" and that taken by Europeans would be designated as stock "B." The two classes of stock would be identical in all respects except that class "A" stock would be subject to retirement by call or acquisition by European governments.

The affairs of the corporation were to be controlled by nine trustees of whom five would be Americans in the first instance and four would be Europeans. The trustees would hold their positions for life or until reaching an age limit and would have to free themselves from other financial connections. Vacancies in the Board of Trustees would be filled by the remaining trustees but no new trustee would be elected who was not approved by a majority of the individual members of the Federal Reserve Board at Washington. Whenever 75% of class "A" stock had been acquired by European governments these provisions in regard to American control would lapse.

In each of the European nations which might invite the establishment of a branch of the Central Bank, a local banking corporation would be organized under a special legislative act. These local banks would be designated as Gold Reserve National Banks and their capital would be fixed by the trustees of the Central Bank and paid out of the funds of the Central Bank. Each Gold Reserve National Bank would be managed by nine governors who would be appointed and hold office at the pleasure of the trustees of the Central Bank.

The prerequisites to the establishment in any country of a Gold Reserve National Bank would be:

1. An official invitation by the government of the country in question to establish such a bank.

2. The furnishing by the government, free of all expenses, of an adequate building equipped for the purposes of the business. This building and the ground upon which it stands would be given the same extra territorial rights as those enjoyed by a foreign embassy.

3. An assurance that there would be no legislation enacted to hamper the free circulation of the notes of the Central Bank and the free exportation and importation of these notes or against the making of contracts payable in these notes or the opening of deposit accounts in these notes in existing banks.

The Gold Reserve National Banks would deal solely with incorporated commercial banks and not with individuals and would make loans only against the pledge of short term commercial paper arising out of legitimate commercial transactions and not stocks, bonds or mortgages or real estate or governmental obligations.

The Central Bank would have power to issue circulating dollar notes in such form and denominations as the trustees should designate and these notes would be advanced to the various national banks against deposits of gold or of gold and commercial paper. The Central Bank would always require a deposit of not less than 20% of gold against advances of circulating notes and would keep a reserve of at least 20% in gold back of all outstanding notes.

The circulating notes of the Central Bank would under normal conditions be redeemable on demand in gold but in the event of the withdrawal of gold to the point where it impaired the usefulness of the bank the trustees would have power to suspend the redemption of the notes in gold. They would have the same power of suspension of payments in gold in the event of war or other great crisis.

In the presentation of his plan, Mr. Vanderlip made the following further explanation:

"It is the aim of this plan to create an organization which could not be controlled by the financial interests owning the stock and so insure that there would be no contest between different governments or nationals to acquire stock for the purpose of influencing the management of the Gold Reserve Bank of the United States of Europe."

Whatever merits the plan may in theory possess, its practical

value is very slight. Any American participation in the capital would have to come from private sources because the provisions in regard to the creation of the Central Bank as a "super-corporation" through the League of Nations or through some other international organization would preclude all possibility of any participation or co-operation on the part of the Government of the United States. It is not reasonable to expect that American capital from private sources in any substantial amount would be drawn into an organization under a plan by which the organization could not be controlled by the financial interests owning the stock. It does not appear probable that the adoption of the Vanderlip project, however meritorious it may be in principle, will be accomplished within a period of time sufficient to render it of any practical value in the solution of the currency problems of Central Europe.

The Hitchcock Project

On December 12, 1921, Senator Gilbert M. Hitchcock of Nebraska proposed in the Senate of the United States the enactment of a law "To establish a Bank of Nations to promote and regulate commerce with foreign nations and to act as the fiscal agent of the United States." The proposed law provided for the establishment of an international banking institution to be known and designated as the Bank of Nations with headquarters in the City of New York and such branch offices in the United States and other countries as the directors might from time to time determine. The capital stock of \$2,400,000,000 would be divided into shares of \$10,000 each of which at least one-third would be paid in gold and not to exceed two-thirds could be paid at the option of the subscriber in the interest bearing bonds of solvent governments at the current market price. The Secretary of the Treasury would be authorized to subscribe on behalf of the Government of the United States for \$1,300,000,000 of the capital stock. \$200,000,000 would be offered for subscription at par to banks, bankers, importers and exporters of the United States and the remaining \$900,000,000 would be sold to such solvent governments as might be admitted as stockholders by treaty or trade agreements negotiated by the President of the United States. The Bank of Nations would be the fiscal agent of the Government of the United States and of such other governments of the world as might be admitted as stockholders. The control would be in the hands of twenty-four directors of whom thirteen would be chosen by the Secretary of the Treasury with the approval of the President;

two by the private stockholders in the United States other than the Government of the United States; and nine by the stockholding governments other than that of the United States.

The resources and facilities of the Bank of Nations would be used to promote international commerce; establish international credit and to stabilize international exchange. It would have authority to issue its notes or bank currency payable on demand in gold dollars or their equivalent in lawful money at the bank or any of its branches in other countries, but such notes or bank currency could be issued only as a result of loans to its depositors or by purchase of international bills of exchange or mercantile paper growing out of imports or exports.

The amount of currency outstanding at any time would be limited by the requirement that the Bank of Nations should keep on hand a reserve against its notes of 33% in gold. The Bank would also be required to keep on hand a reserve as against deposits of not less than 25%, of which not less than four-fifths should be in gold and one-fifth in bonds or treasury certificates of the United States.

Senator Hitchcock in an address at Philadelphia marshaled the arguments in favor of the adoption of his project for a Bank of Nations. He traced the economic development of the business of the world through the three stages of barter; sales by medium of money; and sales effected by credit transfer in one form or another. He then reviewed briefly the development of banking and currency in the United States through the system of State banks which issued independent currency until the National Bank system was established during the Civil War. This system led to a tremendous expansion of credit and development of business but issue of currency was slow and inelastic. These defects of the National Bank system led to the establishment of the present Federal Reserve Banking System which has resulted in another enormous expansion of the banking power and commercial credit in the United States. He described the similar development of banking power and commercial credit in other countries and then summarized his conclusions in these sentences:

"But while every nation has provided by law for a system of banking and currency which gives to domestic business the credit that is needed, all of these systems stop at the boundary line of the country. No system has ever been established by authority of law for international commerce, vast and important as it is. Before the war, when currency values in all countries were reasonably stable, there was a make-shift system of credit maintained

largely by private international bankers and merchants but that has been utterly broken down and destroyed by the war.

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"And so I have proposed in Congress the establishment of a Bank of Nations so that we may have a system of banking and currency that will operate in the international field just as banking and currency systems operate in the domestic field in each country."

From the financial and economic point of view the project is meritorious in principle but in view of the present international situation and the position of the United States in international affairs it is open to one serious criticism from the practical point of view. It contemplates the establishment of joint ownership of the Bank of Nations by the government of the United States and by such solvent governments as may be admitted as stockholders by treaty or trade agreements negotiated by the President of the United States. Any treaty or trade agreement negotiated by the President of the United States will require the advice and consent of the Senate to its ratification. Recent experience has shown the difficulties and uncertainties of the accomplishment of any practical results within a short period of time by this method. The possibility of the Government of the United States entering into partnership with other governments in the organization and administration of a Bank of Nations by means of treaties or trade agreements is so remote that projects for the economic rehabilitation of Europe based on that possibility are scarcely worthy of the consideration to which their intrinsic merits might otherwise entitle them.

Any plan for American participation in an international bank must either depend exclusively and entirely upon the support of private interests or provide for an unquestioned and exclusive ownership and control by the Government of the United States of the proposed bank whose primary purpose must be the promotion of American international interests with such incidental benefits to other peoples and other governments as may flow from the situation. Such a plan has been proposed by Senator Robert Owen of Oklahoma.

The Owen Project

On January 4, 1922, Senator Robert Owen introduced a bill in the Senate to amend the Federal Reserve Act so as to provide for the creation of a Federal Reserve Foreign Bank of the United

States to be under the supervision of the Federal Reserve Board and to be located in the City of New York. The Federal Reserve Foreign Bank would have an authorized capital of \$1,000,000,000 and would begin business with a paid up capital of \$500,000,000 in gold. All the stock of the bank would be taken at par by the Federal Reserve Banks of the United States in proportion to their capital and surplus and paid for in gold. The Federal Reserve Foreign Bank would be conducted under the supervision and control of a board of directors consisting of nine members appointed by the President upon the advice and consent of the Senate. All the members of the board of directors would be citizens of the United States. The Federal Reserve Foreign Bank would have the power to conduct a general international banking business of a commercial character and to issue its bank notes with a reserve against its notes of a minimum of 20% in gold and 100% in short-term bills endorsed by member banks in good standing and secured by staple merchantable imperishable commodities properly insured and protected by documents of title; to open dollar credits at home and abroad for the account of domestic or foreign banks or bankers; to facilitate exports and imports to and from the United States and exports and imports to and from one foreign country to another foreign country; to establish branches and agencies in foreign countries for the purpose of facilitating commerce with the United States and furnishing a currency based on gold and commodities as a medium of exchange and as an aid in making industrial and commercial contracts.

This plan has several very great merits. The proposed bank is exclusively and distinctively American in character and is to be organized primarily and principally for the purpose of promoting American interests in foreign commerce and incidentally in providing a safe and sane currency for the transaction of industrial and commercial business in those countries which have issued so large an amount of paper currency that it is practically irredeemable and which in other respects offer an advantageous field for the transaction of the business of an international commercial bank. The capital is immediately available by reason of the fact that the Federal Reserve Banks throughout the country will take their stock and pay their subscriptions in gold without delay.

This project deserves the serious consideration and cordial support of the people of the United States. It is not an after thought of the war nor the suggestion of a temporary means to remedy the collapse of international commerce and foreign exchange since the close of the war. On February

20, 1918, while the war was in full progress and on the eve of an immense offensive movement by the Central Powers the same general project was proposed in the Senate of the United States by the same distinguished advocate of the original establishment of the Federal Reserve System in the United States. The project then was and now is advocated and defended from the American point of view as a project "to establish the Federal Reserve Foreign Bank and thereby maintain the American dollar at par throughout the world, furnish American commerce with stable exchange and credit facilities in foreign countries, and promote the foreign commerce of the United States."

Senator Owen has generously disclaimed any desire to monopolize the credit for this project and has expressed his desire to have it adopted by the present national administration as part of its constructive financial program. Doubtless Senator Hitchcock would entertain the same generous sentiments in regard to his project. If without partisan bias the President and Congress of the United States can unite in the adoption of this project for a Federal Reserve Foreign Bank of the United States there can be no doubt that the establishment of such an international financial institution under the control and supervision of the United States will result in an enormous expansion of the international trade and commerce and the financial influence of the United States.

There can be no more appropriate termination of this article than to quote the following passages from an address delivered by Mr. Owen in the Senate of the United States on January 4, 1922, in explanation and justification of his project for a Federal Reserve Foreign Bank of the United States as a means for the rehabilitation of international commerce and the re-establishment of the foreign trade of the United States.

"The one gigantic outstanding fact which retards rapid restoration of European industry and commerce is the lack of a stable gold-secured currency measurable in terms of gold. Even gold fluctuates in value, but at last it has been found by the nations of the world to be the most stable and acceptable measure of value ever established for monetary purposes.

"The United States is able to provide a means for furnishing currency secured by gold and redeemable in gold and

secured at the same time by staple merchantable commodities and underwritten by sound bankers' credit. I have submitted this bill which contains these fundamental principles, and which, if adopted would establish a Federal Reserve Foreign Bank owned by the Federal Reserve Banks of America, to function as their servant. Such a bank, with a primary capital of five hundred millions of gold taken from the Federal reserve banks would not weaken the banking system of the United States for the reason that we have far in excess of the amount of gold required to keep our Federal reserve notes at par".

* * * * *

"Senators, you have it in your power to adopt a plan that will restore the industrial life of the world, and I am presenting it, with such earnestness as I may, in the hope that patriotism and public spirit will induce Senators to study this proposal I have made, and I trust you will take so much of merit as you may find in it and make it available for the service of mankind".

IN CONCLUSION

The United States has the opportunity and ability to assist in the solution of the economic difficulties of Europe and at the same time promote its own interests. No plan can be devised to cover the entire subject which will be capable of instantaneous execution. Let the United States commence with the independent creation of a Federal Reserve Foreign Bank which will be distinctly American in character and control and will utilize the excess gold reserves of this country to provide a gold secured currency for the Central European countries. The solution of this problem in this manner will redound to the international credit of the United States and extend its international commerce. The beneficial effects of this first step will make the others easier. With courage, patience and good faith, the proposed plan can be made the basis for a complete and permanent restoration of the economic equilibrium of Europe.

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